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ANNUAL REPORT
1946

THE
CLIFFS
CORPORATION

★

CLEVELAND
OHIO

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ANNUAL REPORT

OF

THE CLIFFS CORPORATION

CLEVELAND, OHIO

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 1946

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THE CLIFFS CORPORATION

DIRECTORS

EDWARD B. GREENE
CYRUS S. EATON
G. B. YOUNG
G. M. GILLIES, JR.
P. R. MATHER
R. W. PURCELL
V. P. GEFFINE

OFFICERS

EDWARD B. GREENE, *President*

S. L. MATHER, *Vice President*
V. P. GEFFINE, *Vice President*
J. H. KERR, *Secretary*
H. S. HARRISON, *Treasurer*
R. M. KIMMEL, *Assistant Secretary*
D. R. FORREST, *Assistant Treasurer*
J. P. LONG, *Assistant Treasurer*
D. E. SADLER, *Comptroller*
W. E. DOHNAL, *Auditor*

STOCK TRANSFER AGENT

The Cleveland Trust Company
Cleveland, Ohio

REGISTRAR OF STOCK

Central National Bank of Cleveland
Cleveland, Ohio

EXECUTIVE AND GENERAL OFFICES

Union Commerce Building
Cleveland 14, Ohio

C597
1946

THE CLIFFS CORPORATION

Cleveland, Ohio
April 29, 1947

To the Shareholders of
The Cliffs Corporation:

Financial statements of The Cliffs Corporation as of December 31, 1946, consisting of balance sheet and profit and loss statement and surplus accounts, are submitted herewith. These have been examined by Ernst & Ernst, Certified Public Accountants, and a copy of their Certificate of Audit is included in this report.

The corporation received dividends in 1946 amounting to $1,070,699.00 as follows:

Inland Steel Company	$ 563,750.00
Republic Steel Corporation	160,449.00
Wheeling Steel Corporation	45,000.00
The Youngstown Sheet & Tube Company	301,500.00
	$1,070,699.00

The amount of these dividends exceeded the amount of dividends received in 1945 by $203,000.00.

Net earnings for the year 1946, after all charges, were $951,526.58, or $1.18 per share on the outstanding common shares. Dividends paid in 1946 were $1.00 per share as compared with 90¢ per share paid in 1945.

The indicated market value of listed steel stocks as of December 31, 1946, was $24,753,640.87. This represents an increase of $1,142,065.00 over the indicated market value of these stocks as of December 31, 1945. Other than current accounts, the corporation had no outstanding indebtedness as of December 31, 1946.

During April 1946 Inland Steel Company amended its Articles of Incorporation so as to convert each issued share of its capital stock into three shares. This was the only change in the corporation's securities portfolio during the year.

The balance sheet sets forth, in Column B, the amounts which would appear if listed securities were stated at quoted market prices, and also shows the corporation's investment in the common stock of The Cleveland-Cliffs Iron Company, valued at an amount determined by the Board of Directors solely for the purpose of compliance with the Investment Company Act of 1940. Column A reflects the amount at which investments are carried on the books of the corporation, such investments being carried at cost except that a reserve has been provided as indicated.

In accordance with previous years' practice, we enclose the annual report of The Cleveland-Cliffs Iron Company, the entire common stock of which is owned by this corporation. It will be noted by referring to the balance sheet and explanatory notes of that company that there is an unpaid accumulation of dividends on the preferred shares amounting to $26.16 per share and an arrearage in the sinking fund provisions for the redemption of these preferred shares of $14,500,000.00. No dividends can be paid on the common shares of The Cleveland-Cliffs Iron Company while these arrearages exist.

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We regret to inform you that for reasons of health, Mr. William G. Mather resigned on April 2, 1947 as Chairman and member of the Board of Directors of the corporation and in deference to his wishes, his resignation has been accepted. The Directors and Officers wish to express their appreciation of Mr. Mather's inspiring leadership and great contributions to the company and to the iron ore industry with which he has been associated since 1878.

Mr. H. G. Cutright resigned as a member of the Board of Directors on February 19, 1947, and Mr. R. W. Purcell, who had previously served on the Board, was elected a director to fill this vacancy.

Mr. V. P. Geffine was elected a Director on April 18, 1947, to fill the vacancy caused by Mr. Mather's resignation.

Mr. A. C. Brown resigned as a Director and as Vice President on April 21, 1947.

Mr. J. H. Kerr was elected Secretary of the corporation and assumed his duties October 1, 1946.

Mr. J. P. Long, Auditor, was elected an Assistant Treasurer, and Mr. W. E. Dohnal was elected Auditor on May 15, 1946.

On April 24, 1947, we mailed the shareholders of the corporation a proxy statement containing detailed information with reference to the proposed consolidation of the corporation with The Cleveland-Cliffs Iron Company. The Agreement specifies the proposed directors of the new consolidated Corporation and shareholders' action on the Agreement will include action on the directorate of the new Corporation. Pending final action on the Agreement which would make the election of a Board of Directors of this corporation unnecessary, the management does not intend to call a meeting of shareholders for the election of the Board of Directors of this corporation.

By order of the Board of Directors.

Respectfully submitted,

EDWARD B. GREENE,
President

Certificate of Audit

SHAREHOLDERS AND BOARD OF DIRECTORS,
THE CLIFFS CORPORATION,
Cleveland, Ohio.

We have examined the balance sheet of The Cliffs Corporation as of December 31, 1946, and the statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Corporation, and examined or tested accounting records of the Corporation and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Cash on deposit was confirmed by reconcilement of amounts reported directly to us by the depositary banks and we accounted for securities owned. We examined data in support of the recorded cash transactions for the year and accounted for dividends received during the year on securities owned.

In accordance with requirements of the Securities and Exchange Commission the accompanying balance sheet, in addition to showing amounts carried on the books of the Corporation, sets forth amounts which would appear if listed securities were stated at quoted market prices and if the investment in The Cleveland-Cliffs Iron Company was valued as set forth in Note B to the balance sheet. Investments are carried on the books of the Corporation at cost except that a reserve has been provided as indicated.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the position of The Cliffs Corporation at December 31, 1946, and its income and expense for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Cleveland, Ohio
January 31, 1947

THE CLIFFS CORPORATION

BALANCE SHEET

December 31, 1946

	Column A Amounts at which Assets are carried on the books of the Corporation	Column B Amounts at which Assets would appear if listed securities were stated at quoted market prices and investment in The Cleveland-Cliffs Iron Company at valuation set forth in Note B
A S S E T S		
Cash	$ 457,000.73	$ 457,000.73
U. S. Treasury 7/8% Certificates of Indebtedness in the principal amount of $300,000.00—at cost and accrued interest	300,218.75	300,218.75
Dividends receivable	22,500.00	22,500.00
Investments (at cost)—Note A:		
The Cleveland-Cliffs Iron Company—Notes B and C—408,296 shares (100%) common stock	$41,013,482.50	$ 2,041,480.00
Listed securities (quoted market prices at December 31, 1946—$24,753,640.87)	37,171,821.14	24,753,640.87
	$78,185,303.64	$26,795,120.87
Less reserve as authorized by Directors	50,000,000.00*	—o—
	$28,185,303.64	$26,795,120.87
	$28,965,023.12	$27,574,840.35

* This reserve, established by the Board of Directors on April 27, 1932, effective as of December 31, 1931, was an arbitrary amount and was not intended to reduce the carrying amount of the investments to realizable values as of any date. The reserve has been carried since establishment without change.

Note A—"Cost" represents largely amounts determined at dates of acquisition of the investments in exchange for capital stock of the Corporation.

Cost of listed securities in excess of quoted market prices was as follows:

December 31, 1945	$13,560,245.27
December 31, 1946	12,418,180.27
	$ 1,142,065.00

THE CLIFFS CORPORATION

BALANCE SHEET

December 31, 1946

	Column A	Column B
	Amounts at which Liabilities, Capital Stock, and Surplus are set forth on the books of the Corporation	Amounts at which Liabilities, Capital Stock, and Surplus would appear if investments were stated as set forth in Column B under Assets
LIABILITIES, CAPITAL STOCK, AND SURPLUS		
Liabilities:		
Accounts payable	$ 18,458.40	$ 18,458.40
Federal taxes on income—estimated	57,600.00	57,600.00
	$ 76,058.40	$ 76,058.40
Capital stock and surplus:		
Common stock (par value $5.00 per share):		
Authorized 810,000 shares		
Outstanding 805,734 shares	$ 4,028,670.00	$ 4,028,670.00
Surplus:		
Capital surplus	$24,246,379.86	$24,246,379.86
Earned surplus (since January 1, 1937)	613,914.86	613,914.86
	$24,860,294.72	$24,860,294.72
Less reduction in surplus if investments were stated as set forth under Column B	—o—	1,390,182.77
Total Surplus	$24,860,294.72	$23,470,111.95
Total Capital Stock and Surplus	$28,888,964.72	$27,498,781.95
	$28,965,023.12	$27,574,840.35

Note B—The Corporation owns the entire outstanding common stock (408,296 shares) of The Cleveland-Cliffs Iron Company but none of its $5.00 cumulative preferred stock (487,238 shares outstanding). Accumulated dividends, not paid or provided for, on The Cleveland-Cliffs Iron Company's preferred stock amounted to $26.16 per share or a total of $12,746,146.08 to December 31, 1946. After or concurrently with making payment of or provision for such unpaid dividends, that company is required to set aside as a sinking fund for the purchase or redemption of the preferred shares, amounts which aggregate $14,500,000.00 before any dividends can be declared or paid on the common shares. During the continuance of such default in payment of dividends or setting aside the aforementioned sinking fund, the holders of the preferred shares have voting rights, share for share, with the holder of the common shares. The holders of the 487,238 shares of The Cleveland-Cliffs Iron Company's preferred stock outstanding would be entitled upon involuntary liquidation of that company to an aggregate amount of $61,469,946.08, being $100.00 per share plus accumulation of dividends of $26.16 per share, which amount is $10,991,767.17 in excess of the total stated capital and surplus (including unrealized appreciation) as shown by consolidated balance sheet as of December 31, 1946, of The Cleveland-Cliffs Iron Company and its consolidated subsidiaries. For the purpose of compliance with the Investment Company Act of 1940, the Board of Directors of the Corporation is required to determine the fair value of the common stock of The Cleveland-Cliffs Iron Company and solely for that purpose the Board of Directors, on January 15, 1947, determined such fair value to be $5.00 per share, as of December 31, 1946, or a total of $2,041,480.00, stating in its resolution that the value of such stock is difficult to determine, being dependent in part on the value of The Cleveland-Cliffs Iron Company's interest, directly and as a stockholder in other companies, in iron ore deposits of undetermined extent and value, and is subject to substantial differences of opinion.

Note C—The Corporation's Code of Regulations states, among other things, that the Corporation shall not sell, exchange, or otherwise dispose of any common shares of The Cleveland-Cliffs Iron Company, which have been or may be received in exchange for shares of the Corporation, without first obtaining the written consent or affirmative vote of the holders of at least two-thirds of the issued and outstanding common shares of the Corporation.

THE CLIFFS CORPORATION
PROFIT AND LOSS AND SURPLUS
Year ended December 31, 1946

Profit and Loss

Income:		
Dividends	$1,070,699.00	
Interest	6,454.57	$1,077,153.57
Expenses:		
Taxes other than federal taxes on income	$ 25,581.53	
Professional services and expenses—Note A	15,466.82	
Transfer agent and registrar fees	11,377.60	
Administrative and management services—Note B	10,000.00	
Directors fees and expenses	3,095.10	
Printing, stationery, and postage	1,761.78	
Other expenses	783.60	68,066.43
Profit Before Federal Taxes on Income		$1,009,087.14
Federal taxes on income:		
Provision for the year—estimated:		
Normal income tax and surtax	$ 57,600.00	
Adjustment for prior year	39.44*	57,560.56
Net Profit		$ 951,526.58

Surplus Accounts

	Capital Surplus	Earned Surplus	Combined
Balance at January 1, 1946	$24,246,379.86	$ 468,122.28	$24,714,502.14
Add net profit for the year	—o—	951,526.58	951,526.58
	$24,246,379.86	$ 1,419,648.86	$25,666,028.72
Deduct dividends paid—$1.00 a share	—o—	805,734.00	805,734.00
Balance at December 31, 1946	$24,246,379.86	$ 613,914.86	$24,860,294.72

* Indicates red figure.

Note A—Includes the amount of $14,016.82 paid or accrued to Messrs. Jones, Day, Cockley & Reavis for legal services and expenses, of which firm Mr. George B. Young, a director of the Corporation, is a partner.

Note B—Paid to The Cleveland-Cliffs Iron Company.

Note C—Reference is made to Note B to the balance sheet. Balance transferred to earned surplus (exclusive of security transactions as hereinafter commented upon) as shown by the consolidated profit and loss statement of The Cleveland-Cliffs Iron Company and its consolidated subsidiaries for the year 1946, amounted to $4,363,599.01. During the year The Cleveland-Cliffs Iron Company sold certain securities and the loss ($154,102.82) thereon was carried direct to earned surplus of that company. The present annual dividend requirement on the outstanding preferred stock of The Cleveland-Cliffs Iron Company (none of such preferred stock is owned by the Corporation) amounts to $2,436,190.00 and the present annual sinking fund obligation relative to such preferred stock is $1,000,000.00.

Listed Securities
December 31, 1946

	Number of Shares Owned	Quoted Market Prices at December 31, 1946
Inland Steel Co.—common stock	307,500	$12,300,000.00
Republic Steel Corp.—common stock	160,449	4,472,515.87
Wheeling Steel Corp.—common stock	30,000	1,222,500.00
The Youngstown Sheet & Tube Co.—common stock	100,500	6,758,625.00
Total		$24,753,640.87

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ANNUAL REPORT
of
THE CLIFFS CORPORATION

CLEVELAND, OHIO

1945

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ANNUAL REPORT

OF

THE CLIFFS CORPORATION

CLEVELAND, OHIO

For the Fiscal Year Ended
December 31, 1945

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THE CLIFFS CORPORATION

DIRECTORS

WM. G. MATHER	A. C. BROWN
EDWARD B. GREENE	G. M. GILLIES, JR.
CYRUS S. EATON	P. R. MATHER
G. B. YOUNG	R. W. PURCELL

OFFICERS

WM. G. MATHER, *Chairman of the Board*

EDWARD B. GREENE, *President*

A. C. BROWN, *Vice President*	R. M. KIMMEL, *Assistant Secretary*
S. L. MATHER, *Vice President*	D. R. FORREST, *Assistant Treasurer*
V. P. GEFFINE, *Vice President*	D. E. SADLER, *Comptroller*
H. S. HARRISON, *Treasurer*	J. P. LONG, *Auditor*

STOCK TRANSFER AGENT

The Cleveland Trust Company
Cleveland, Ohio

REGISTRAR OF STOCK

Central National Bank of Cleveland
Cleveland, Ohio

EXECUTIVE AND GENERAL OFFICES

Union Commerce Building
Cleveland 14, Ohio

THE CLIFFS CORPORATION

Cleveland, Ohio
March 20, 1946

To the Shareholders of
The Cliffs Corporation:

Financial statements of The Cliffs Corporation as of December 31, 1945, consisting of balance sheet and profit and loss statement and surplus accounts, are submitted herewith. These statements and accounts have been examined by Ernst & Ernst, Certified Public Accountants, and a copy of their Certificate of Audit is included in this report.

The corporation received dividends in 1945 amounting to $867,699.00 as follows:

Inland Steel Company	$461,250.00
Republic Steel Corporation	160,449.00
Wheeling Steel Corporation	45,000.00
The Youngstown Sheet & Tube Company	201,000.00
	$867,699.00

The amount of these dividends in each instance was the same as received in 1944.

Net earnings for the year 1945, after all charges, were $774,882.35, or 96¢ per share on the outstanding common shares. Dividends paid in 1945 were 90¢ per share, the same amount as was paid in 1944.

The indicated market value of listed steel stocks as of December 31, 1945, was $23,611,575.87. This represents an increase of $7,040,083.12 over the indicated market value of these stocks on December 31, 1944.

The balance sheet sets forth, in Column B, the amounts which would appear if listed securities were stated at quoted market prices, and also shows the corporation's investment in the common stock of The Cleveland-Cliffs Iron Company, valued at an amount determined by the Board of Directors solely for the purpose of compliance with the Investment Company Act of 1940. Column A reflects the amount at which investments are carried on the books of the corporation, such investments being carried at cost except that a reserve has been provided as indicated.

In accordance with the practice of previous years, we are enclosing the annual report of The Cleveland-Cliffs Iron Company, the entire common stock of which is owned by this corporation. It will be noted by referring to the balance sheet and explanatory notes of that company that there is an unpaid accumulation of dividends on the preferred shares amounting to $27.16 per share and an arrearage in the sinking fund provisions for the redemption of these preferred shares of $13,500,000. No dividends can be paid on the common shares of The Cleveland-Cliffs Iron Company while these arrearages continue.

There has been no change in the corporation's securities portfolio during the year. The corporation had no outstanding indebtedness on December 31, 1945, other than current accounts.

Mr. R. J. Morfa resigned as a member of the Board of Directors on September 24, 1945. Mr. R. W. Purcell was elected to the Board. Mr. Purcell is Vice President and General Counsel of The Chesapeake and Ohio Railway Company and the New York, Chicago and St. Louis Railroad Company, and is Chairman of the Board of Pathe Industries, Inc.

We record with great regret the death of Lieutenant Colonel James L. Luke, Treasurer of the corporation. Mr. Luke was on military leave of absence at the time of his death. Mr. H. S. Harrison, formerly Assistant Treasurer, was elected Treasurer of the corporation on June 20, 1945.

Mr. R. D. Fisher, Secretary, resigned, effective December 31, 1945.

Respectfully submitted,

EDWARD B. GREENE,
President

Approved by the Board of Directors,
WM. G. MATHER, Chairman

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THE CLIFFS CORPORATION

BALANCE SHEET

December 31, 1945

	Column A Amounts at which assets are carried on the books of the Corporation	Column B Amounts at which assets would appear if listed securities were stated at quoted market prices and investment in The Cleveland-Cliffs Iron Company at valuation set forth in Note C
ASSETS		
Cash	$ 195,899.93	$ 195,899.93
U. S. Treasury ⅞% certificates of indebtedness in the principal amount of $300,000.00—at cost and accrued interest	300,218.75	300,218.75
Dividends receivable	22,500.00	22,500.00
Equity in note receivable—Note A	64,800.00	64,800.00
Investments (at cost)—Note B:		
The Cleveland-Cliffs Iron Company—Notes C and D—408,296 shares (100%) common stock	$41,013,482.50	$ 2,041,480.00
Listed securities (quoted market prices at December 31, 1945—$23,611,575.87)	37,171,821.14	23,611,575.87
	$78,185,303.64	$25,653,055.87
Less reserve as authorized by Directors	50,000,000.00*	—o—
	$28,185,303.64	$25,653,055.87
Deferred charges	1,508.29	1,508.29
	$28,770,230.61	$26,237,982.84

*This reserve, established by the Board of Directors on April 27, 1932, effective as of December 31, 1931, was an arbitrary amount and was not intended to reduce the carrying amount of the investments to realizable values as of any date. The reserve has been carried since establishment without change.

Note A—Represents the Corporation's interest in a note received by the Corporation and other creditors in settlement of obligations of the maker of the note. Such note, in which the Corporation has an equity of $64,800.00 in the principal, is dated May 3, 1943, is due May 3, 1948, and bears interest at the rate of 3% during the first year, 4% during the second year, and 6% per annum thereafter.

Note B—"Cost" represents largely amounts determined at dates of acquisition of the investments in exchange for capital stock of the Corporation.

Cost of listed securities in excess of quoted market prices was as follows:

December 31, 1944	$20,600,328.39
December 31, 1945	13,560,245.27
	$ 7,040,083.12

THE CLIFFS CORPORATION

BALANCE SHEET

December 31, 1945

	Column A	Column B
	Amounts at which Liabilities, Capital Stock, and Surplus are set forth on the books of the Corporation	Amounts at which Liabilities, Capital Stock, and Surplus would appear if investments were stated as set forth in Column B under Assets
LIABILITIES, CAPITAL STOCK, AND SURPLUS		
Liabilities:		
State franchise tax and accounts payable	$ 23,341.27	$ 23,341.27
Federal taxes on income (estimated $49,500.00, less U. S. Treasury Notes —Tax Series, purchased and held for tax payments—$46,139.20)	3,360.80	3,360.80
	$ 26,702.07	$ 26,702.07
Deferred credit:		
Prepaid interest	356.40	356.40
Capital stock and surplus:		
Common stock (par value $5.00 per share):		
Authorized 810,000 shares		
Outstanding 805,734 shares	$ 4,028,670.00	$ 4,028,670.00
Surplus:		
Capital surplus	$24,246,379.86	$24,246,379.86
Earned surplus (since January 1, 1937)	468,122.28	468,122.28
	$24,714,502.14	$24,714,502.14
Less reduction in surplus if investments were stated as set forth under Column B	—o—	2,532,247.77
Total Surplus	$24,714,502.14	$22,182,254.37
Total Capital Stock and Surplus	$28,743,172.14	$26,210,924.37
	$28,770,230.61	$26,237,982.84

Note C—The Corporation owns the entire outstanding common stock (408,296 shares) of The Cleveland-Cliffs Iron Company but none of its $5.00 cumulative preferred stock (487,238 shares outstanding). Accumulated dividends, not paid or provided for, on The Cleveland-Cliffs Iron Company's preferred stock amounted to $27.16 per share or a total of $13,233,384.08 to December 31, 1945. After or concurrently with making payment of or provision for such unpaid dividends, that company is required to set aside as a sinking fund for the purchase or redemption of the preferred shares, amounts which aggregate $13,500,000.00 before any dividends can be declared or paid on the common shares. During the continuance of such default in payment of dividends or setting aside the aforementioned sinking fund, the holders of the preferred shares have voting rights, share for share, with the holder of the common shares. The holders of the 487,238 shares of The Cleveland-Cliffs Iron Company's preferred stock outstanding would be entitled upon involuntary liquidation of that company to an aggregate amount of $61,957,184.08, being $100.00 per share plus accumulation of dividends of $27.16 per share, which amount is $12,569,188.90 in excess of the total stated capital and surplus (including unrealized appreciation) as shown by consolidated balance sheet as of December 31, 1945, of The Cleveland-Cliffs Iron Company and its consolidated subsidiaries. For the purposes of compliance with the Investment Company Act of 1940, the Board of Directors of the Corporation is required to determine the fair value of the common stock of The Cleveland-Cliffs Iron Company and solely for that purpose the Board of Directors, on January 16, 1946, determined such fair value to be $5.00 per share, as of December 31, 1945, or a total of $2,041,480.00, stating in its resolution that the value of such stock is difficult to determine, being dependent in part on the value of iron ore deposits of undetermined extent and value, and is subject to substantial differences of opinion.

Note D—The Corporation's Code of Regulations states, among other things, that the Corporation shall not sell, exchange, or otherwise dispose of any common shares of The Cleveland-Cliffs Iron Company, which have been or may be received in exchange for shares of the Corporation, without first obtaining the written consent or affirmative vote of the holders of at least two-thirds of the issued and outstanding common shares of the Corporation.

THE CLIFFS CORPORATION
PROFIT AND LOSS AND SURPLUS
Year ended December 31, 1945

Profit and Loss

Income:		
Dividends	$867,699.00	
Interest	4,068.15	$871,767.15
Expenses:		
Taxes other than federal taxes on income	$ 18,853.35	
Transfer agent and registrar fees	10,533.72	
Administrative and management services—Note A	10,000.00	
Professional services and expenses—Note B	3,465.93	
Directors fees and expenses	2,154.41	
Printing, stationery, and postage	2,022.48	
Other expenses	394.60	47,424.49
Profit Before Federal Taxes on Income		$824,342.66
Federal taxes on income:		
Provision for the year—estimated:		
Normal income tax and surtax	$ 49,500.00	
Adjustment for prior year	39.69*	49,460.31
Net Profit		$774,882.35

Surplus Accounts

	Capital Surplus	Earned Surplus	Combined
Balance January 1, 1945	$24,246,379.86	$ 418,400.53	$24,664,780.39
Add net profit for the year	—o—	774,882.35	774,882.35
	$24,246,379.86	$ 1,193,282.88	$25,439,662.74
Deduct dividends paid—$.90 a share	—o—	725,160.60	725,160.60
Balance at December 31, 1945	$24,246,379.86	$ 468,122.28	$24,714,502.14

*Indicates red figure.

Note A—Paid to The Cleveland-Cliffs Iron Company.

Note B—Includes the amount of $2,065.93 paid or accrued to Messrs. Jones, Day, Cockley & Reavis for legal services and expenses, of which firm Mr. George B. Young, a director of the Corporation, is a partner.

Note C—Reference is made to Note C to the balance sheet. The net profit of The Cleveland-Cliffs Iron Company and its consolidated subsidiaries for the year 1945, amounted to $3,709,733.08. The present annual dividend requirement on the outstanding preferred stock of The Cleveland-Cliffs Iron Company (none of such preferred stock is owned by the Corporation) amounts to $2,436,190.00 and the present annual sinking fund obligation relative to such preferred stock is $1,000,000.00.

Listed Securities

December 31, 1945

	Number of Shares Owned	Quoted Market Prices at December 31, 1945
Inland Steel Co.—common stock	102,500	$10,711,250.00
Republic Steel Corp.—common stock	160,449	4,873,638.37
Wheeling Steel Corp.—common stock	30,000	1,406,250.00
The Youngstown Sheet & Tube Co.—common stock	100,500	6,620,437.50
Total		$23,611,575.87

Certificate of Audit

SHAREHOLDERS AND BOARD OF DIRECTORS,
THE CLIFFS CORPORATION,
Cleveland, Ohio.

We have examined the balance sheet of The Cliffs Corporation as of December 31, 1945, and the statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Corporation, and examined or tested accounting records of the Corporation and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Cash balances and securities owned were accounted for. Equity in note receivable was reported to us by the agent holding such note. We examined data in support of recorded cash transactions for the year and accounted for dividends received during the year on securities owned.

In accordance with requirements of the Securities and Exchange Commission the accompanying balance sheet, in addition to showing amounts carried on the books of the Corporation, sets forth amounts which would appear if listed securities were stated at quoted market prices and if the investment in The Cleveland-Cliffs Iron Company was valued as set forth in Note C to the balance sheet. Investments are carried on the books of the Corporation at cost except that a reserve has been provided as indicated.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the position of The Cliffs Corporation at December 31, 1945, and its income and expense for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Cleveland, Ohio
March 9, 1946

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1943

ANNUAL REPORT

OF

THE CLIFFS CORPORATION

CLEVELAND, OHIO

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 1943

This book has been DIGITIZED
and is available ONLINE.

ANNUAL REPORT

OF

THE CLIFFS CORPORATION

CLEVELAND, OHIO

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 1943

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and is available ONLINE.

THE CLIFFS CORPORATION

DIRECTORS

Wm. G. Mather	G. B. Young
E. B. Greene	A. C. Brown
Cyrus S. Eaton	G. M. Gillies, Jr.
Thos. H. White	P. R. Mather

OFFICERS

Wm. G. Mather, Chairman of the Board

E. B. Greene, President

A. C. Brown, Vice President	R. M. Kimmel, Assistant Secretary
S. L. Mather, Vice President	H. S. Harrison, Assistant Treasurer
V. P. Geffine, Vice President	D. R. Forrest, Assistant Treasurer
R. D. Fisher, Secretary	D. E. Sadler, Comptroller
*J. L. Luke, Treasurer	J. P. Long, Auditor

STOCK TRANSFER AGENT
The Cleveland Trust Company
Cleveland, Ohio

REGISTRAR OF STOCK
Central National Bank of Cleveland
Cleveland, Ohio

EXECUTIVE AND GENERAL OFFICES
Union Commerce Building
Cleveland 14, Ohio

**On military leave of absence.*

Business records lib.

THE CLIFFS CORPORATION

Cleveland, Ohio
March 31, 1944

To the Shareholders of
The Cliffs Corporation:

There are submitted herewith financial statements of the corporation as of December 31, 1943, including balance sheet and profit and loss statement and surplus accounts, together with report of Ernst & Ernst, Certified Public Accountants.

The corporation received dividends in 1943 amounting to $867,699.00 as follows:

Inland Steel Company	$461,250.00
Republic Steel Corporation	160,449.00
Wheeling Steel Corporation	45,000.00
The Youngstown Sheet & Tube Company	201,000.00
	$867,699.00

This compares with dividends received in 1942 of $958,061.25.

Net earnings for the year 1943, after all charges, were $769,449.30 or 95¢ per share on the outstanding common shares. Dividends paid in 1943 were 90¢ per share as compared with $1.00 per share in 1942.

The indicated market value of listed steel stocks as of December 31, 1943, was $14,370,939.12, comparing with an indicated market value of $12,182,973.50 as of December 31, 1942.

The corporation has no outstanding indebtedness other than current accounts. There has been no change in its securities portfolio during the year.

The corporation is registered as an investment company with the Securities and Exchange Commission under the Investment Company Act of 1940.

Mr. A. C. Brown, Vice President, who resigned in October, 1942, to serve as Deputy Director of the Steel Division of the War Production Board, resigned from Government service and was reelected Vice President and Director in April, 1943.

Mr. Robert D. Fisher was elected Secretary of the corporation, succeeding Mr. E. H. Jaynes who retired in 1942.

In accordance with the practice of previous years, we are enclosing the annual report of The Cleveland-Cliffs Iron Company, the entire common stock of which is owned by this corporation.

Respectfully submitted,
EDWARD B. GREENE,
President

Approved by the Board of Directors,
WM. G. MATHER, Chairman

THE CLIFFS CORPORATION

Balance Sheet, December 31, 1943

ASSETS			
Cash			$ 378,655.30
Equity in notes receivable—Note A			89,640.00
Investments (at cost)—Note B:			
The Cleveland-Cliffs Iron Company—Note C—408,296 shares (100%) common stock	$41,013,482.50		
Listed securities (quoted market prices at December 31, 1943, aggregated $14,370,939.12)	37,171,821.14	$78,185,303.64	
Less reserve provided as authorized by Directors		50,000,000.00*	28,185,303.64
Deferred charge			1,074.68
			$28,654,673.62
LIABILITIES, CAPITAL STOCK, AND SURPLUS			
Liabilities:			
Accounts payable		$ 3,738.99	
Federal taxes on income—estimated	$ 49,200.00		
Less U. S. Treasury Notes—Tax Series (purchased and held for tax payments)	42,135.00	7,065.00	$ 10,803.99
Deferred credit:			
Prepaid interest			178.20
Capital stock and surplus:			
Common stock (par value $5.00 per share):			
Authorized 810,000 shares			
Outstanding 805,734 shares		$ 4,028,670.00	
Surplus:			
Capital surplus	$24,246,379.86		
Earned surplus (since January 1, 1937)	368,641.57	24,615,021.43	28,643,691.43
			$28,654,673.62

* This reserve, established by the Board of Directors on April 27, 1932, effective as of December 31, 1931, was an arbitrary amount and was not intended to reduce the carrying amount of the investments to realizable values as of any date. The reserve has been carried since establishment without change.

Note A—Represents the Corporation's interest in notes received by the Corporation and other creditors in settlement of obligations of the makers of such notes. The Corporation's equity in future payments on two of these notes, as scheduled, amounts to $2,120.00 on October 15, 1944, and $22,720.00 on October 15, 1945, with interest at 3% per annum in the event of default of installments but only during such default. The other note, in which the Corporation has an equity of $64,800.00 in the principal, is dated May 3, 1943, is due May 3, 1948, and bears interest at the rate of 3% during the first year, 4% during the second year, and 6% per annum thereafter.

Note B—Cost of listed securities in excess of quoted market prices was as follows:

December 31, 1942	$24,988,847.64
December 31, 1943	22,800,882.02
	$ 2,187,965.62

"Cost" represents largely amounts determined at dates of acquisition of the investments in exchange for capital stock of the Corporation.

Note C—The Corporation owns the entire outstanding common stock (408,296 shares) of The Cleveland-Cliffs Iron Company but none of its $5.00 cumulative preferred stock (487,238 shares outstanding). Unpaid accumulation of dividends on The Cleveland-Cliffs Iron Company's preferred stock amounted to $27.16 per share or a total of $13,233,384.08 to December 31, 1943. After or concurrently with making payment of or provision for such unpaid dividends, that company is required to set aside as a sinking fund for the purchase or redemption of the preferred shares, amounts which aggregate $11,500,000.00 before any dividends can be declared or paid on the common shares. During the continuance of such default in payment of dividends or setting aside the aforementioned sinking fund, the holders of the preferred shares have voting rights, share for share, with the holder of the common shares. The holders of the 487,238 shares of The Cleveland-Cliffs Iron Company's preferred stock outstanding would be entitled upon involuntary liquidation of that company to an aggregate amount of $61,957,184.08, being $100.00 per share plus unpaid accumulation of dividends of $27.16 per share, which amount is $13,989,520.13 in excess of the total stated capital and surplus (including unrealized appreciation) as shown by consolidated balance sheet as of December 31, 1943, of The Cleveland-Cliffs Iron Company and its consolidated subsidiaries. For the purpose of compliance with the Investment Company Act of 1940, the Board of Directors of the Corporation is required to determine the fair value of the common stock of The Cleveland-Cliffs Iron Company and solely for that purpose the Board of Directors, on January 19, 1944, determined such fair value to be $5.00 per share, as of December 31, 1943, or a total of $2,041,480.00, stating in its resolution that the value of such stock is difficult to determine, being dependent in part on the value of iron ore deposits of undetermined extent and value, and is subject to substantial differences of opinion. Reference is made to annual report of The Cleveland-Cliffs Iron Company, submitted herewith, for details regarding that company.

THE CLIFFS CORPORATION
Profit and Loss and Surplus
Year ended December 31, 1943

Profit and Loss

Income:		
Dividends	$867,699.00	
Interest	1,884.74	$869,583.74
Expenses:		
Taxes other than federal taxes on income	$ 14,038.75	
Administrative and management services—Note A	10,000.00	
Transfer agent and registrar fees	9,848.95	
Professional services and expenses—Note B	5,098.56	
Discounts	4,575.67	
Cancellation of interest on notes receivable	2,827.50	
Directors fees and expenses	2,122.86	
Other expenses	2,422.15	50,934.44
Profit Before Federal Taxes on Income		$818,649.30
Federal taxes on income—estimated:		
Normal income tax and surtax		49,200.00
Net Profit		$769,449.30

Surplus Accounts

	Capital Surplus	Earned Surplus	Combined
Balance January 1, 1943	$24,246,379.86	$ 324,352.87	$24,570,732.73
Add net profit for the year	—o—	769,449.30	769,449.30
	$24,246,379.86	$ 1,093,802.17	$25,340,182.03
Deduct dividends paid—$0.90 a share	—o—	725,160.60	725,160.60
	$24,246,379.86	$ 368,641.57	$24,615,021.43

Note A—Paid to The Cleveland-Cliffs Iron Company.

Note B—Includes the amount of $3,698.56 paid or accrued to Messrs. Jones, Day, Cockley & Reavis for legal services and expenses, of which firm Mr. George B. Young, a director of the Corporation, is a partner.

Note C—Reference is made to Note C to the balance sheet. The net profit of The Cleveland-Cliffs Iron Company and its consolidated subsidiaries for the year 1943, amounted to $3,700,305.17. The present annual dividend requirement on the outstanding preferred stock of The Cleveland-Cliffs Iron Company (none of such preferred stock is owned by the Corporation) amounts to $2,436,190.00 and the present annual sinking fund obligation relative to such preferred stock is $1,000,000.00.

Listed Securities
December 31, 1943

	Number of Shares Owned	Quoted Market Prices at December 31, 1943
Inland Steel Co.—common stock	102,500	$ 7,328,750.00
Republic Steel Corp.—common stock	160,449	2,747,689.12
Wheeling Steel Corp.—common stock	30,000	626,250.00
The Youngstown Sheet & Tube Co.—common stock	100,500	3,668,250.00
	TOTAL	$14,370,939.12

Certificate of Audit

Shareholders and Board of Directors,
The Cliffs Corporation,
Cleveland, Ohio.

We have examined the balance sheet of The Cliffs Corporation as of December 31, 1943, and the statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Corporation, and examined or tested accounting records of the Corporation and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Cash on deposit was reconciled to amounts reported directly to us by the recorded depositories, and we examined U. S. Treasury Notes and other securities owned. Equity in notes receivable was reported to us by the agent holding such notes. We examined data in support of the recorded cash transactions for the year and accounted for dividends received during the year on securities owned.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the position of The Cliffs Corporation at December 31, 1943, and its income and expense for the year then ended, on the basis of investments at cost except that a reserve has been provided as indicated, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Cleveland, Ohio
March 6, 1944

ERNST & ERNST
Certified Public Accountants

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ANNUAL REPORT

OF THE PRESIDENT OF

THE CLIFFS CORPORATION

CLEVELAND, OHIO

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1942

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THE CLIFFS CORPORATION

DIRECTORS

Wm. G. Mather	G. M. Gillies, Jr.
E. B. Greene	P. R. Mather
†A. C. Brown	Thos. H. White
Cyrus S. Eaton	G. B. Young

OFFICERS

Wm. G. Mather, Chairman of the Board

E. B. Greene, President

S. L. Mather, Vice President	H. S. Harrison, Assistant Treasurer
V. P. Geffine, Vice President	D. R. Forrest, Assistant Treasurer
*J. L. Luke, Treasurer	D. E. Sadler, Comptroller
R. M. Kimmel, Assistant Secretary	J. P. Long, Auditor

STOCK TRANSFER AGENT
The Cleveland Trust Company
Cleveland, Ohio

REGISTRAR OF STOCK
Central National Bank of
Cleveland, Ohio

EXECUTIVE AND GENERAL OFFICES
Union Commerce Building
Cleveland, Ohio

†Resigned to enter government service.
**On military leave of absence.*

THE CLIFFS CORPORATION

Cleveland, Ohio
March 31, 1943

To the Shareholders of
The Cliffs Corporation:

Financial statements of the corporation, as of December 31, 1942, including balance sheet and profit and loss statement and surplus accounts are submitted herewith, together with report of Ernst & Ernst, Certified Public Accountants.

The corporation received dividends in 1942 amounting to $958,061.25 as follows:

Inland Steel Company	$461,250.00
Republic Steel Corporation	200,561.25
Wheeling Steel Corporation	45,000.00
The Youngstown Sheet & Tube Company	251,250.00
	$958,061.25

This compares with dividends received in 1941 of $1,194,898.00.

Net earnings for the year 1942, after all charges, were $859,405.39, or $1.07 per share on the outstanding common shares. Dividends paid in 1942 were $1.00 per share, as compared with $1.25 per share in 1941.

The indicated market value of listed steel stocks owned as of December 31, 1942 was $12,182,973.50, comparing with an indicated market value of $14,191,825.63 as of December 31, 1941.

The corporation has no outstanding indebtedness and there was no change in its securities portfolio in 1942.

During the year the corporation registered as an investment company with the Securities and Exchange Commission under the Investment Company Act of 1940.

Mr. A. C. Brown, Vice President, resigned last October as a Director and Vice President, to serve for six months as Deputy Director of the Iron and Steel Division of the War Production Board.

Mr. E. H. Jaynes, Secretary of the corporation, retired in June, 1942.

Mr. James L. Luke, Treasurer, was granted a leave of absence and is now serving as a Captain in the United States Army Air Force.

In accordance with the practice of previous years, we are enclosing the annual report of The Cleveland-Cliffs Iron Company, the entire common stock of which is owned by this corporation.

Respectfully submitted,
EDWARD B. GREENE,
President

Approved by the Board of Directors,
WM. G. MATHER, Chairman

THE CLIFFS CORPORATION
Balance Sheet, December 31, 1942

ASSETS			
Cash			$ 306,522.35
Equity in:			
Notes receivable—Note A		$ 118,293.34	
Accrued interest		2,827.50	121,120.84
Investments (at cost)—Note B:			
The Cleveland-Cliffs Iron Company—Note C—408,296 shares (100%) common stock	$41,013,482.50		
Listed securities (quoted market prices at December 31, 1942, aggregated $12,182,973.50)	37,171,821.14	$78,185,303.64	
Less reserve provided as authorized by Directors		50,000,000.00*	28,185,303.64
Deferred charge			1,613.33
			$28,614,560.16
LIABILITIES, CAPITAL STOCK, AND SURPLUS			
Liabilities:			
Accounts payable		$ 6,924.77	
Federal taxes on income—estimated	$ 54,855.66		
Less U. S. Treasury notes—tax series (purchased and held for tax payments)	46,623.00	8,232.66	$ 15,157.43
Capital stock and surplus:			
Common stock (par value $5.00 per share):			
Authorized 810,000 shares			
Outstanding 805,734 shares		$ 4,028,670.00	
Surplus:			
Capital surplus	$24,246,379.86		
Earned surplus	324,352.87	24,570,732.73	28,599,402.73
			$28,614,560.16

* This reserve, established by the Board of Directors on April 27, 1932, effective as of December 31, 1931, was an arbitrary amount and was not intended to reduce the carrying amount of the investments to realizable values as of any date. The reserve has been carried since establishment without change.

Note A—Represents the Corporation's interest in notes received by the Corporation and other creditors in settlement of obligations (including a note in the amount of $1,100,000.00 previously held by this Corporation) of the makers of such notes. The Corporation's equity, amounting to $19,300.00, in the payments which were due October 15, 1941 and 1942, on two of such notes, is past due. On one of these notes, in which the Corporation has an equity of $74,000.00 in the principal, suit has now been filed. Its equity in future payments on all these notes, as scheduled, amounts to $13,103.33 on October 15th in each of the years 1943 and 1944, and $72,786.68 on October 15, 1945, with interest at 3% per annum in the event of default of installments but only during such default. In connection with the settlement referred to above the Corporation has agreed that in the event, during the period of three years from October 15, 1940, the market price of Republic Steel Corporation's common stock shall exceed $50.00 per share, then the above-mentioned makers shall, upon notice, have the option to receive credit (as outlined in the agreement) for one-half of such excess based on the number of shares of such stock previously held by the Corporation as security for the note of $1,100,000.00. The maximum amount of such credit would be $195,200.00 plus any interest paid to the Corporation on its equity in the notes as hereinbefore commented upon.

Note B—Cost of listed securities in excess of quoted market prices was as follows:

December 31, 1942	$24,988,847.64
December 31, 1941	22,979,995.51
	$ 2,008,852.13

"Cost" represents largely amounts determined at dates of acquisition of the investments in exchange for capital stock of the Corporation.

Note C—The Corporation owns the entire outstanding common stock (408,296 shares) of The Cleveland-Cliffs Iron Company but none of its $5.00 cumulative preferred stock (487,238 shares outstanding). Unpaid accumulation of dividends on The Cleveland-Cliffs Iron Company's preferred stock amounted to $27.16 per share or a total of $13,233,384.08 to December 31, 1942. After or concurrently with making payment of or provision for such unpaid dividends, that company is required to set aside as a sinking fund for the purchase or redemption of the preferred shares, amounts which aggregate $10,500,000.00 before any dividends can be declared or paid on the common shares. During the continuance of such default in payment of dividends or setting aside the aforementioned sinking fund, the holders of the preferred shares have voting rights, share for share, with the holder of the common shares. The holders of the 487,238 shares of The Cleveland-Cliffs Iron Company's preferred stock outstanding would be entitled upon involuntary liquidation of that company to an aggregate amount of $61,957,184.08, being $100.00 per share plus unpaid accumulation of dividends of $27.16 per share, which amount is $14,490,092.30 in excess of the total stated capital and surplus (including unrealized appreciation) as shown by consolidated balance sheet as of December 31, 1942, of The Cleveland-Cliffs Iron Company and its consolidated subsidiaries. For the purpose of compliance with the Investment Company Act of 1940, the Board of Directors of the Corporation is required to determine the fair value of the common stock of The Cleveland-Cliffs Iron Company and solely for that purpose the Board of Directors, on March 24, 1943, determined such fair value to be $5.00 per share, as of December 31, 1942, or a total of $2,041,480.00, stating in its resolution that the value of such stock is difficult to determine, being dependent in part on the value of iron ore deposits of undetermined extent and value, and is subject to substantial differences of opinion. Reference is made to annual report of The Cleveland-Cliffs Iron Company, submitted herewith, for details regarding that company.

THE CLIFFS CORPORATION
Profit and Loss and Surplus
Year ended December 31, 1942

Profit and Loss

Income:		
Dividends	$958,061.25	
Interest	2,442.68	$960,503.93
Expenses:		
Taxes other than federal taxes on income	$ 15,201.29	
Transfer agent and registrar fees	10,308.37	
Administrative and management services—Note A	10,000.00	
Professional services and expenses—Note B	6,977.33	
Directors fees and expenses	2,367.99	
Other expenses	1,387.90	46,242.88
Profit Before Federal Taxes on Income		$914,261.05
Federal taxes on income—estimated:		
Normal income tax and surtax		54,855.66
Net Profit		$859,405.39

Surplus Accounts

	Capital Surplus	Earned Surplus	Combined
Balance January 1, 1942	$24,246,379.86	$ 270,681.48	$24,517,061.34
Add net profit for the year	—o—	859,405.39	859,405.39
	$24,246,379.86	$ 1,130,086.87	$25,376,466.73
Deduct dividends paid—$1.00 a share	—o—	805,734.00	805,734.00
Balance December 31, 1942	$24,246,379.86	$ 324,352.87	$24,570,732.73

Note A—Paid to The Cleveland-Cliffs Iron Company.

Note B—Includes the amount of $5,052.63 paid or accrued to Messrs. Jones, Day, Cockley & Reavis for legal services and expenses, of which firm Mr. George B. Young, a director of the Corporation, is a partner.

Note C—Reference is made to Note C to the balance sheet. The net profit (exclusive of security transactions as hereinafter commented upon) of The Cleveland-Cliffs Iron Company and its consolidated subsidiaries for the year 1942, amounted to $4,057,235.66. During the year The Cleveland-Cliffs Iron Company received preferred and common stocks of Jones & Laughlin Steel Corporation in lieu of its holding of preferred and common stocks of The Otis Steel Company, upon the conveyance of substantially all the property and assets of Otis to Jones & Laughlin; the securities received were recorded at the quoted market value whereas the securities of Otis, which had been held for many years, were carried at original cost, and the difference of $2,004,240.80 was charged to earned surplus. The present annual dividend requirement on the outstanding preferred stock of The Cleveland-Cliffs Iron Company (none of such preferred stock is owned by the Corporation) amounts to $2,436,190.00 and the present annual sinking fund obligation relative to such preferred stock is $1,000,000.00.

Listed Securities
December 31, 1942

	Number of Shares Owned	Quoted Market Prices at December 31, 1942
Inland Steel Co.—common stock	102,500	$ 6,367,812.50
Republic Steel Corp.—common stock	160,449	2,246,286.00
Wheeling Steel Corp.—common stock	30,000	528,750.00
The Youngstown Sheet & Tube Co.—common stock	100,500	3,040,125.00
	TOTAL	$12,182,973.50

Certificate of Audit

Shareholders and Board of Directors,
The Cliffs Corporation,
Cleveland, Ohio.

We have examined the balance sheet of The Cliffs Corporation as of December 31, 1942, and the statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Corporation, and examined or tested accounting records of the Corporation and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Cash balances were accounted for and we examined U. S. Treasury notes and other securities owned. Equity in notes receivable was reported to us by the agent holding such notes. We examined data in support of the recorded cash transactions for the year and accounted for dividends received during the year on securities owned.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the position of The Cliffs Corporation at December 31, 1942, and its income and expense for the year then ended, on the basis of investments at cost except that a reserve has been provided as indicated, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Cleveland, Ohio
March 15, 1943

ERNST & ERNST
Certified Public Accountants

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1941

ANNUAL REPORT

OF THE PRESIDENT OF

THE CLIFFS CORPORATION

CLEVELAND, OHIO

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1941

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THE CLIFFS CORPORATION

DIRECTORS

Wm. G. Mather	G. M. Gillies, Jr.
E. B. Greene	P. R. Mather*
A. C. Brown	Thos. H. White
Cyrus S. Eaton	G. B. Young

*Elected March 18, 1942 to succeed George Gund who resigned October 28, 1941.

OFFICERS

Wm. G. Mather, Chairman of the Board

E. B. Greene, President

A. C. Brown, Vice President	R. M. Kimmel, Assistant Secretary
S. L. Mather, Vice President	D. R. Forrest, Assistant Treasurer
V. P. Geffine, Vice President	H. S. Harrison, Assistant Treasurer
E. H. Jaynes, Secretary	D. E. Sadler, Comptroller
J. L. Luke, Treasurer	J. P. Long, Auditor

STOCK TRANSFER AGENT
The Cleveland Trust Company
Cleveland, Ohio

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Cleveland, Ohio

EXECUTIVE AND GENERAL OFFICES
Union Commerce Building
Cleveland, Ohio

THE CLIFFS CORPORATION

Cleveland, Ohio
March 31, 1942.

To the Shareholders of
The Cliffs Corporation:

The balance sheet of the corporation as of December 31, 1941, and statement of profit and loss and surplus accounts for the year 1941, together with report of Ernst and Ernst, Certified Public Accountants, are submitted herewith.

During the year the corporation received dividends of $1,194,898.00 as follows:

Inland Steel Company	$ 512,500.00
Republic Steel Corporation	320,898.00
Wheeling Steel Corporation	60,000.00
The Youngstown Sheet & Tube Company	301,500.00
	$ 1,194,898.00

This compares with dividends received in 1940 of $702,304.60.

Net earnings for the year 1941, after all charges, were $1,091,125.61, or $1.35 per share on the outstanding common shares. The corporation distributed dividends of $1.25 per share in 1941. Dividends distributed in 1940 amounted to 75¢ per share.

The indicated market value of listed steel company stocks owned by the corporation as of December 31, 1941 was $14,191,825.63. This compares with an indicated market value of these stocks on December 31, 1940 of $17,645,296.38. There was no change in the securities portfolio in 1941.

The corporation has no outstanding indebtedness.

Following the death of Mr. Harris Creech, who was a member of the Board of The Cleveland-Cliffs Iron Company, Mr. George Gund was elected in July, 1941 to the Board of that company to succeed Mr. Creech, and the vacancy created on The Cliffs Corporation Board by Mr. Gund's resignation was filled recently by the election of Mr. Philip R. Mather of Boston.

Mr. R. M. Kimmel was elected Assistant Secretary in January of this year.

In accordance with the practice of previous years, there is enclosed the annual report of The Cleveland-Cliffs Iron Company, the entire common stock of which is owned by this corporation.

Respectfully submitted,
EDWARD B. GREENE,
President

Approved by the Board of Directors,
WM. G. MATHER, Chairman.

THE CLIFFS CORPORATION

Balance Sheet, December 31, 1941

ASSETS			
Cash			$ 256,118.35
Equity in notes receivable—Note A		$ 121,746.67	
Equity in accrued interest		487.50	122,234.17
Investments (at cost)—Note B:			
The Cleveland-Cliffs Iron Company—Note C—408,296 shares (100%) common stock	$41,013,482.50		
Listed securities (quoted market prices at December 31, 1941, aggregated $14,191,825.63)	37,171,821.14	$78,185,303.64	
Less reserve provided as authorized by Directors		50,000,000.00*	28,185,303.64
			$28,563,656.16
LIABILITIES, CAPITAL STOCK, AND SURPLUS			
Liabilities:			
Accounts payable		$ 3,729.32	
Federal taxes on income—estimated	$ 54,195.50		
Less U. S. Treasury notes—tax series (purchased and held for tax payments)	40,000.00	14,195.50	$ 17,924.82
Capital stock and surplus:			
Capital stock (par value $5.00 per share):			
Authorized 810,000 shares			
Outstanding 805,734 shares		$ 4,028,670.00	
Surplus:			
Capital surplus	$24,246,379.86		
Earned surplus (since January 1, 1937)	270,681.48	24,517,061.34	28,545,731.34
			$28,563,656.16

* This reserve, established by action of the Board of Directors on April 27, 1932, effective as of December 31, 1931, was an arbitrary amount and was not intended to reduce the carrying amount of the investments to realizable values as of any date. The reserve has been carried since establishment without change.

Note A—Represents the Corporation's interest in notes received by the Corporation and other creditors in settlement of obligations (including a note in the amount of $1,100,000.00 previously held by this Corporation) of the makers of such notes. The Corporation's equity, amounting to $9,650.00, in the payments which were due October 15, 1941, on two of such notes, is past due. Its equity in future payments on these notes, as scheduled, amounts to $13,103.33 on October 15th in each of the years 1942 to 1944, inclusive, and $72,786.68 on October 15, 1945, with interest at 3% per annum in the event of default of installments but only during such default. In connection with the settlement referred to above the Corporation has agreed that in the event, during the period of three years from October 15, 1940, the market price of Republic Steel Corporation's common stock shall exceed $50.00 per share, then the above-mentioned makers shall, upon notice, have the option to receive credit (as outlined in the agreement) for one-half of such excess based on the number of shares of such stock previously held by the Corporation as security for the note of $1,100,000.00. The maximum amount of such credit would be $201,200.00 plus any interest paid to the Corporation on its equity in the notes as hereinbefore commented upon.

Note B—The following summary shows a comparison of cost and quoted market prices of listed securities at the beginning and end of the year:

Cost in excess of quoted market prices:	
At December 31, 1941	$22,979,995.51
At December 31, 1940	19,526,524.76
	$ 3,453,470.75

"Cost" represents largely amounts determined at dates of acquisition of the investments in exchange for capital stock of the Corporation.

Note C—Reference is made to annual report of The Cleveland-Cliffs Iron Company submitted under separate cover, for details regarding that company.

THE CLIFFS CORPORATION
Profit and Loss and Surplus
Year ended December 31, 1941

Profit and Loss

Income:		
Dividends	$ 1,194,898.00	
Interest	5,255.94	$ 1,200,153.94
Expense:		
Taxes other than federal taxes on income	$ 19,204.49	
Other expense	35,628.34	54,832.83
Profit Before Federal Taxes on Income		$ 1,145,321.11
Federal taxes on income—estimated:		
Normal income tax and surtax		54,195.50
Net Profit		$ 1,091,125.61

Surplus Accounts

	Capital Surplus	Earned Surplus	Combined
Balance January 1, 1941	$24,231,379.86	$ 176,723.37	$24,408,103.23
Add:			
Net profit for the year	—o—	1,091,125.61	1,091,125.61
Refund of taxes applicable to prior years	15,000.00	10,000.00	25,000.00
	$24,246,379.86	$1,277,848.98	$25,524,228.84
Deduct:			
Dividends paid—$1.25 a share	—o—	1,007,167.50	1,007,167.50
Balance December 31, 1941	$24,246,379.86	$ 270,681.48	$24,517,061.34

Statement of Investments

December 31, 1941

The Cleveland-Cliffs Iron Company	Common	408,296	Shares
Inland Steel Company	Common	102,500	Shares
Republic Steel Corporation	Common	160,449	Shares
Wheeling Steel Corporation	Common	30,000	Shares
The Youngstown Sheet & Tube Company	Common	100,500	Shares

Certificate of Audit

Board of Directors,
The Cliffs Corporation,
Cleveland, Ohio.

We have examined the balance sheet of The Cliffs Corporation as of December 31, 1941, and the statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Corporation, and examined or tested accounting records of the Corporation and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Cash was confirmed by direct correspondence with the recorded depositories. U. S. treasury notes and other securities owned were examined by us or reported to us as being held for the account of the Corporation. Equity in notes receivable was reported to us by the agent holding such notes. We reviewed data in support of the recorded cash transactions for the year and accounted for dividends received during the year on securities owned.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the position of The Cliffs Corporation at December 31, 1941, and its income and expense for the year, on the basis of investments at cost except that a reserve has been provided as indicated, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Cleveland, Ohio
February 26, 1942

ERNST & ERNST
Certified Public Accountants

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ANNUAL REPORT

OF THE PRESIDENT OF

THE CLIFFS CORPORATION

CLEVELAND, OHIO

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1940

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THE CLIFFS CORPORATION

DIRECTORS

Wm. G. Mather	G. M. Gillies
E. B. Greene	Chas. S. Wachner
A. C. Brown	Thos. H. White
Cyrus S. Eaton	G. B. Young

OFFICERS

Wm. G. Mather	Chairman of the Board
E. B. Greene	President
A. C. Brown	Vice President
S. L. Mather	Vice President
V. P. Geffine	Vice President
E. H. Jaynes	Secretary
J. L. Luke	Treasurer
D. R. Forrest	Assistant Treasurer
H. S. Harrison	Assistant Treasurer
D. E. Sadler	Comptroller
J. P. Long	Auditor

STOCK TRANSFER AGENT
The Cleveland Trust Company
Cleveland, Ohio

REGISTRAR OF STOCK
Central National Bank of
Cleveland, Ohio

EXECUTIVE AND GENERAL OFFICES
Union Commerce Building
Cleveland, Ohio

THE CLIFFS CORPORATION

Cleveland, Ohio
March 31, 1941

To the Shareholders:

The balance sheet as of December 31, 1940 and statements of profit and loss and surplus accounts for the year 1940, together with Certificate of Audit of Ernst & Ernst, Certified Public Accountants, are submitted herewith.

The corporation received dividends during the year amounting to $702,304.60, which compare with dividends received in 1939 of $413,000.00. The corporation distributed dividends of Seventy-five Cents per share in the year 1940 as compared with Forty Cents in 1939.

The only change in the portfolio during the year was the addition of 16,449 shares of Republic Steel Corporation common stock. This stock had been held as collateral security for a note receivable in the amount of $1,100,000. During the year The Cliffs Corporation participated with other creditors in the settlement of the obligations owed to the corporation and such other creditors by the maker and endorsers of this note. In this connection the corporation purchased at public sale the 16,449 shares of Republic Steel Corporation common stock previously held as collateral security, for the sum of $261,127.88, representing approximate quoted market price, crediting the purchase price in partial reduction of the note indebtedness. In addition, the corporation received a 40 per cent interest in promissory notes delivered on behalf of the creditors participating in the settlement and 40 per cent of the net cash paid to such creditors. The corporation's interest in such notes amounts to $161,200.00, and the cash received was $40,127.70. The loss sustained upon this note receivable amounted to $637,544.42, and was charged against a reserve of $1,000,000 previously set aside.

As a result of such loss, the distributions made to stockholders during the year were, in the opinion of the corporation's counsel and accountants, attributable to taxable net income of the corporation only to the extent of Three Cents per share, and therefore were only to this extent subject to Federal Income Tax as income to shareholders. This allocation of the taxable portion of the distributions is based on the corporation's records, as approved by Ernst & Ernst, Certified Public Accountants, but is subject to approval by the Bureau of Internal Revenue upon the audit of these records.

The indicated market value of listed securities owned by the corporation on December 31, 1940 was $17,645,296.38, which includes the 16,449 shares of Republic Steel Corporation common stock referred to above. This compares with an indicated market value of the listed securities owned December 31, 1939 of $17,747,500.

During the year the corporation paid all its bank indebtedness.

We record with regret the death on December 2, 1940 of Mr. Steele Mitchell, a member of our Board of Directors for the past five years. The vacancy in the Board, caused by Mr. Mitchell's death, was filled on January 17, 1941 by the election of Mr. George M. Gillies.

During the year Mr. H. S. Harrison was elected Assistant Treasurer, and Mr. J. P. Long, formerly Acting Auditor, was made Auditor.

Respectfully submitted,
EDWARD B. GREENE, *President.*

Approved by the Board of Directors,
WM. G. MATHER, *Chairman.*

THE CLIFFS CORPORATION

Balance Sheet, December 31, 1940

ASSETS			
Cash on deposit			$ 148,106.31
Equity in notes receivable—Note A			161,200.00
Investments (at cost)—Note B:			
The Cleveland-Cliffs Iron Company—Note C—408,296 shares (100%) common stock	$41,013,482.50		
Listed securities (quoted market prices at December 31, 1940, aggregated $17,645,296.38)	37,171,821.14	$78,185,303.64	
Less reserve provided as authorized by Directors		50,000,000.00*	28,185,303.64
			$28,494,609.95
LIABILITIES, CAPITAL STOCK AND SURPLUS			
Liabilities:			
Accounts payable		$ 3,276.85	
Provision for federal taxes on income—estimated		559.87	$ 3,836.72
Reserve for contingencies			54,000.00
Capital stock and surplus:			
Capital stock (par value $5.00 per share):			
Authorized 810,000 shares			
Outstanding 805,734 shares		$ 4,028,670.00	
Surplus:			
Capital surplus	$24,231,379.86		
Earned surplus (since January 1, 1937)	176,723.37	24,408,103.23	28,436,773.23
			$28,494,609.95

* This reserve, established by action of the Board of Directors on April 27, 1932, effective as of December 31, 1931, was an arbitrary amount and was not intended to reduce the carrying amount of the investments to realizable values as of any date. The reserve has been carried since establishment without change.

Note A—Represents the Corporation's interest in notes received by the Corporation and other creditors in settlement of obligations of the maker and endorsers of a note in the amount of $1,100,000.00 previously held by the Corporation. The Corporation's equity in these notes is payable $16,703.33 on October 15th in each of the years 1941 to 1944, inclusive and $94,386.68 on October 15, 1945, with interest at 3% per annum in the event of default of installments but only during such default.

In connection with the settlement referred to above the Corporation has agreed that in the event, during the period of three years from October 15, 1940, the market price of Republic Steel Corporation's common stock shall exceed $50.00 per share, then the above-mentioned maker and endorsers shall have the option to receive credit (as outlined in the agreement) for one-half of such excess based on the number of shares of such stock previously held by the Corporation as security for the note of $1,100,000.00. The maximum amount of such credit would be $201,200.00 plus any interest paid to the Corporation on its equity in the notes as hereinbefore commented upon.

Note B—The following summary shows a comparison of cost and quoted market prices of listed securities at the beginning and end of the year:

Cost in excess of quoted market prices:	
At December 31, 1940	$19,526,524.76
At December 31, 1939	19,163,193.26
	$ 363,331.50

"Cost" represents largely amounts determined at dates of acquisition of the investments in exchange for capital stock of the Corporation.

Note C—Reference is made to annual report of The Cleveland-Cliffs Iron Company submitted under separate cover, for details regarding that company.

THE CLIFFS CORPORATION
Profit and Loss and Surplus
Year ended December 31, 1940

Profit and Loss

Income:		
Dividends	$702,304.60	
Interest and discount	3,554.79	$705,859.39
Expense:		
Taxes	$ 955.78	
Other expense	37,484.62	
Interest	1,219.69	
Provision for contingencies	20,000.00	59,660.09
Profit Before Taxes on Income		$646,199.30
Federal taxes on income—Note A:		
Provision for the year—estimated	$ 559.87	
Underprovision for prior years—net	112.89	672.76
Net Profit		$645,526.54

Surplus Accounts

	Capital Surplus	Earned Surplus	Combined
Balance January 1, 1940	$23,853,924.28	$135,497.33	$23,989,421.61
Add:			
Net profit for the year	—o—	645,526.54	645,526.54
Refund of taxes applicable prior to January 1, 1937	15,000.00	—o—	15,000.00
Restoration of unused portion of reserve for loss on note receivable	362,455.58	—o—	362,455.58
	$24,231,379.86	$781,023.87	$25,012,403.73
Deduct:			
Dividends paid—$.75 a share	—o—	604,300.50	604,300.50
Balance December 31, 1940	$24,231,379.86	$176,723.37	$24,408,103.23

Note A—Loss, in the amount of $637,544.42, on liquidation of note receivable was charged against reserve previously provided therefor. Deductions for the year used in computing estimated federal income taxes include such loss.

Statement of Investments

December 31, 1940

The Cleveland-Cliffs Iron Company	Common	408,296	Shares
Inland Steel Company	Common	102,500	Shares
Republic Steel Corporation	Common	160,449	Shares
Wheeling Steel Corporation	Common	30,000	Shares
The Youngstown Sheet & Tube Company	Common	100,500	Shares

Certificate of Audit

Board of Directors,
The Cliffs Corporation,
Cleveland, Ohio.

We have examined the balance sheet of The Cliffs Corporation as of December 31, 1940, and the statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Corporation, and examined or tested accounting records of the Corporation and other supporting evidence, by methods and to the extent we deemed appropriate.

We confirmed cash on deposit by direct correspondence with the recorded depositories. Equity in notes receivable was reported to us by the agent holding such notes and securities owned were examined by us or reported to us as being held for the Corporation's account. Data in support of the recorded cash and security transactions for the year were reviewed by us and we accounted for dividends received during the year on securities owned.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the position of The Cliffs Corporation at December 31, 1940, and its income and expense for the year, on the basis of investments at cost except that a reserve has been provided as indicated, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Cleveland, Ohio
February 15, 1941

ERNST & ERNST,
Certified Public Accountants.

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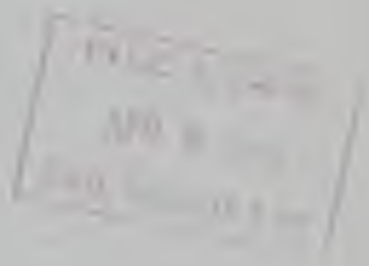
ANNUAL REPORT

OF THE PRESIDENT OF

THE CLIFFS CORPORATION

CLEVELAND, OHIO



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DECEMBER 31, 1939

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THE CLIFFS CORPORATION

DIRECTORS

Wm. G. Mather	Steele Mitchell
E. B. Greene	Chas. S. Wachner
A. C. Brown	Thos. H. White
Cyrus S. Eaton	G. B. Young

OFFICERS

Wm. G. Mather	Chairman of the Board
E. B. Greene	President
A. C. Brown	Vice-President
S. L. Mather	Vice-President
V. P. Geffine	Vice President
E. H. Jaynes	Secretary
J. L. Luke	Treasurer
D. R. Forrest	Assistant Treasurer
D. E. Sadler	Comptroller
J. P. Long	Acting Auditor

STOCK TRANSFER AGENT
The Cleveland Trust Company
Cleveland, Ohio

REGISTRAR OF STOCK
Central National Bank of
Cleveland, Ohio

EXECUTIVE AND GENERAL OFFICES
Union Commerce Building
Cleveland, Ohio

THE CLIFFS CORPORATION

Cleveland, Ohio,
April 3, 1940

To the Stockholders of
The Cliffs Corporation:

The balance sheet as of December 31, 1939, and statements of profit and loss and surplus accounts for the year 1939, together with certificate of audit by Messrs. Ernst & Ernst, Certified Public Accountants, are submitted herewith.

During the year the corporation received dividends amounting to $413,000.00, which compare with dividends received in 1938 of $261,250.00. In 1939 the corporation distributed dividends, payable out of earnings, of 40¢ per share, or $322,293.60.

The only change in the portfolio of the corporation during the year was the sale of 2,000 shares of Inland Steel Company stock which had been purchased pursuant to stock rights issued by Inland Steel Company in 1937. The proceeds of the sale, amounting to $190,388.59, were applied to reduce the bank indebtedness of the corporation incurred when this stock was purchased.

The indicated market value of listed securities owned on December 31, 1939, was $1,749,625.00 less than such value on December 31, 1938, exclusive of the Inland Steel Company stock sold during the year.

At a special meeting of shareholders held June 8, 1939, the shareholders voted to change the shares of the corporation from shares without par value to shares having a par value of $5.00 each, and to reduce the stated capital applicable to outstanding shares from $30.00 per share to $5.00, the par value, per share, and transfer the difference, aggregating $20,143,350.00, to capital surplus.

On June 19, 1939, the voting trust affecting approximately 534,000 shares of the corporation terminated, and certificates for common shares are being issued to holders of voting trust certificates.

Respectfully submitted,
EDWARD B. GREENE, *President.*

Approved by the Board of Directors,
WM. G. MATHER, *Chairman.*

THE CLIFFS CORPORATION

Balance Sheet, December 31, 1939

ASSETS			
Cash on deposit			$ 150,905.60
Note receivable (secured by 16.449 shares of Republic Steel Corporation common stock having a quoted market price of $374,214.75 at December 31, 1939)—Note A		$ 1,100,000.00	
Less reserve provided as authorized by Directors		1,000,000.00*	100,000.00
Investments (at cost)—Notes B and C:			
The Cleveland-Cliffs Iron Company—Note D—408,296 shares (100%) common stock	$41,013,482.50		
Listed securities (quoted market prices at December 31, 1939, aggregated $17,747,500.00)	36,910,693.26	$77,924,175.76	
Less reserve provided as authorized by Directors		50,000,000.00*	27,924,175.76
			$28,175,081.36
LIABILITIES, CAPITAL STOCK AND SURPLUS			
Liabilities:			
Note payable to bank—Note C		$ 110,160.34	
Accounts payable and accrued items		3,665.87	
Provision for federal taxes on income—estimated		9,163.54	$ 122,989.75
Reserve for contingencies			34,000.00
Capital stock and surplus:			
Capital stock (par value $5.00 per share) Authorized 810,000 shares Outstanding 805,734 shares		$ 4,028,670.00	
Surplus:			
Capital surplus	$23,853,924.28		
Earned surplus (since January 1, 1937)	135,497.33	23,989,421.61	28,018,091.61
			$28,175,081.36

*These reserves, established by action of the Board of Directors on April 27, 1932, effective as of December 31, 1931, were in arbitrary amounts and were not intended to reduce the carrying amount of the assets to realizable values as of any date. Such reserves have been carried since establishment without change.

Note A—In connection with action taken relative to collection of this note, the maker thereof filed an answer denying that any sum is due on said note and a cross-petition asking (1) that the petition be dismissed; (2) that the note be reformed so as to be payable only out of the proceeds of the collateral securing the same, which consists of 16,449 shares of Republic Steel Corporation common stock; and (3) that judgment be rendered in his favor against the Corporation in the sum of $1,057,264.00 (with interest), representing sums of money asserted to have been advanced by him in behalf of the Corporation; certain endorsers of said note filed an answer and cross-petition asking the same relief other than money judgment against the Corporation. Pursuant to instructions of the Board of Directors, counsel have filed an answer on behalf of the Corporation, denying the allegations in said cross-petitions. Negotiations conducted over an extended period looking to a settlement affecting the indebtedness represented by said note, along with indebtedness to creditors other than the Corporation, have not been finally completed.

Note B—The following summary shows a comparison of cost and quoted market prices of listed securities at the beginning and end of the year:

Cost in excess of quoted market prices:	
At December 31, 1939	$19,163,193.26
At December 31, 1938	17,405,568.26
	$ 1,757,625.00

"Cost" represents largely amounts determined at dates of acquisition of the investments in exchange for capital stock of the Corporation.

Note C—Note payable to bank is secured by 5,000 shares of Inland Steel Company common stock carried herein at the amount of $449,054.57, and which had a market value of $437,500.00 based on quoted market prices at December 31, 1939.

Note D—Reference is made to annual report of The Cleveland-Cliffs Iron Company submitted under separate cover, for details regarding that Company.

THE CLIFFS CORPORATION
Profit and Loss and Surplus
Year ended December 31, 1939

Profit and Loss

Income:		
Dividends	$413,000.00	
Discount	25.12	$ 413,025.12
Expense:		
Taxes	$ 17,439.88	
Other expense	35,643.48	
Provision for contingencies	20,000.00	
Interest	4,651.14	77,734.50
Profit Before Taxes on Income		$ 335,290.62
Federal taxes on income:		
Provision for the year—estimated		9,163.54
Profit Exclusive of Security Transactions		$ 326,127.08

Surplus Accounts

	Capital Surplus	Earned Surplus	Combined
Balance January 1, 1939	$ 3,710,574.28	$111,570.45	$ 3,822,144.73
Add:			
Net profit for the year	—o—	326,127.08	326,127.08
Cancellation of certain tax accruals for prior years	—o—	23,704.81	23,704.81
Profit on sale of securities	—o—	10,388.59	10,388.59
Credit arising from reduction of stated capital from $30.00 per share to par value of $5.00 per share	20,143,350.00	—o—	20,143,350.00
	$ 23,853,924.28	$471,790.93	$ 24,325,715.21
Deduct:			
Dividends paid—$.40 a share	$ —o—	$322,293.60	$ 322,293.60
Provision for contingencies	—o—	14,000.00	14,000.00
	$ —o—	$336,293.60	$ 336,293.60
Balance December 31, 1939	$ 23,853,924.28	$135,497.33	$ 23,989,421.61

Statement of Investments

December 31, 1939

The Cleveland-Cliffs Iron Company	Common	408,296	Shares
Inland Steel Company	Common	102,500	Shares
Republic Steel Corporation	Common	144,000	Shares
Wheeling Steel Corporation	Common	30,000	Shares
The Youngstown Sheet & Tube Company	Common	100,500	Shares

Certificate of Audit

Board of Directors,
The Cliffs Corporation,
Cleveland, Ohio.

We have examined the balance sheet of The Cliffs Corporation as of December 31, 1939, and the statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Corporation, and examined or tested accounting records of the Corporation and other supporting evidence, by methods and to the extent we deemed appropriate.

Cash on deposit was confirmed to us by the recorded depositories and securities owned or held as collateral were examined by us or were reported to us by the recorded holders thereof. We reviewed data supporting the cash and security transactions for the year and accounted for dividends during the year on securities owned.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the position of The Cliffs Corporation at December 31, 1939, and its income and expense for the year, on the basis of investments at cost except that reserves have been provided as indicated, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Cleveland, Ohio
March 13, 1940

ERNST & ERNST,
Certified Public Accountants.

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ANNUAL REPORT

OF THE PRESIDENT OF

THE CLIFFS CORPORATION

CLEVELAND, OHIO

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1938

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THE CLIFFS CORPORATION

DIRECTORS

Wm. G. Mather	Steele Mitchell
E. B. Greene	Chas. S. Wachner
A. C. Brown	Thos. H. White
Cyrus S. Eaton	G. B. Young

OFFICERS

Wm. G. Mather	Chairman of the Board
E. B. Greene	President
A. C. Brown	Vice-President
S. L. Mather	Vice-President
V. P. Geffine	Vice President
E. H. Jaynes	Secretary
J. L. Luke	Treasurer
D. R. Forrest	Assistant Treasurer
D. E. Sadler	Comptroller
J. P. Long	Acting Auditor

STOCK TRANSFER AGENT
The Cleveland Trust Company
Cleveland, Ohio

REGISTRAR OF STOCK
Central National Bank of
Cleveland, Ohio

EXECUTIVE AND GENERAL OFFICES
Union Commerce Building
Cleveland, Ohio

THE CLIFFS CORPORATION

Cleveland, Ohio,
April 6, 1939

To the Stockholders of the Cliffs Corporation and
To the Holders of Voting Trust Certificates for
Stock of the Cliffs Corporation:

The balance sheet as of December 31, 1938, and statements of profit and loss and surplus accounts for the year 1938, together with certificate of audit by Messrs. Ernst & Ernst, Certified Public Accountants, are submitted herewith.

During the year the corporation received dividends, amounting to $261,250.00, which compares with dividends received in 1937 of $837,875.00. In 1938 the corporation distributed dividends payable out of earnings of 25¢ per share, or $201,433.50.

There have been no changes in the portfolio of the corporation in 1938. The indicated market value of listed securities increased during the year $5,597,369.50.

Respectfully submitted,

EDWARD B. GREENE, *President.*

Approved by the Directors,

WM. G. MATHER, *Chairman.*

THE CLIFFS CORPORATION

Balance Sheet, December 31, 1938

ASSETS			
Cash on deposit			$ 102,361.16
Note receivable (secured by 16,449 shares of Republic Steel Corporation common stock having a quoted market price of $400,944.38 at December 31, 1938)—Note A		$ 1,100,000.00	
Less reserve provided as authorized by Directors		1,000,000.00*	100,000.00
Investments (at cost)—Notes B and C:			
The Cleveland-Cliffs Iron Company—Note D—408,296 shares (100%) common stock	$41,013,482.50		
Listed securities (quoted market prices at December 31, 1938, aggregated $19,685,125.00)	37,090,693.26	$78,104,175.76	
Less reserve provided as authorized by Directors		50,000,000.00*	28,104,175.76
Deferred tax claim			16,953.26
			$28,323,490.18
LIABILITIES, CAPITAL STOCK AND SURPLUS			
Liabilities:			
Notes payable to banks—Note C		$ 300,172.70	
Accounts payable and accrued items		24,089.54	
Provision for federal taxes on income		5,063.21	$ 329,325.45
Capital stock and surplus:			
Capital stock (without par value):			
Authorized 810,000 shares			
Outstanding 805,734 shares—Note E			
Stated capital—$30.00 a share		$24,172,020.00	
Surplus:			
Capital surplus	$ 3,710,574.28		
Earned surplus (since January 1, 1937)	111,570.45	3,822,144.73	27,994,164.73
			$28,323,490.18

*These reserves, established by action of the Board of Directors on April 27, 1932, effective as of December 31, 1931, were in arbitrary amounts and were not intended to reduce the carrying value of the assets to realizable values as of any date. Such reserves have been carried since establishment without change.

Note A—In connection with action taken relative to collection of this note, the maker thereof filed an answer denying that any sum is due on said note and a cross-petition asking (1) that the petition be dismissed; (2) that the note be reformed so as to be payable only out of the proceeds of the collateral securing the same, which consists of 16,449 shares of Republic Steel Corporation common stock; and (3) that judgment be rendered in his favor against the Corporation in the sum of $1,057,264.00 (with interest), representing sums of money asserted to have been advanced by him in behalf of the Corporation; certain endorsers of said note filed an answer and cross-petition asking the same relief other than money judgment against the Corporation. The Board of Directors of the Corporation authorized counsel to prepare and file an answer on behalf of the Corporation, denying the allegations in said cross-petitions, the filing of which has been deferred pending discussions, which are still in progress, looking to a composition affecting the indebtedness represented by said note.

Note B—The following summary shows a comparison of cost and quoted market prices of listed securities at the beginning and end of the year:

Cost in excess of quoted market prices:	
At December 31, 1937	$23,002,937.76
At December 31, 1938	17,405,568.26
	$ 5,597,369.50

The "cost" values represent largely values determined at dates of acquisition of the investments in exchange for capital stock of the Corporation.

Note C—Notes payable to banks are secured by 9,500 shares of Inland Steel Company common stock carried herein at the amount of $854,054.57, and which had a market value of $893,000.00 based on quoted market prices at December 31, 1938.

Note D—Reference is made to annual report of The Cleveland-Cliffs Iron Company submitted under separate cover, for details regarding that Company.

Note E—Under a voting trust agreement there have been issued voting trust certificates covering 531,860 shares of the Corporation's outstanding capital stock.

THE CLIFFS CORPORATION

Profit and Loss and Surplus

Year ended December 31, 1938

Profit and Loss

Income:		
Dividends	$261,250.00	
Discount	4.50	$ 261,254.50
Expense:		
Taxes	$ 32,987.69	
Other expense	18,906.65	
Interest	4,786.15	56,680.49
Profit Before Taxes on Income		$ 204,574.01
Federal taxes on income:		
Provision for current year—estimated	$ 5,063.21	
Underprovision for prior year	1,762.44	6,825.65
Net Profit		$ 197,748.36

Surplus Accounts

	Capital Surplus	Earned Surplus	Combined
Balance January 1, 1938	$3,710,574.28	$115,255.59	$3,825,829.87
Net profit for the year	—o—	197,748.36	197,748.36
	$3,710,574.28	$313,003.95	$4,023,578.23
Less dividends paid—25¢ a share	—o—	201,433.50	201,433.50
Balance December 31, 1938	$3,710,574.28	$111,570.45	$3,822,144.73

Statement of Investments

December 31, 1938

The Cleveland-Cliffs Iron Company	Common	408,296	Shares
Inland Steel Company	Common	104,500	Shares
Republic Steel Corporation	Common	144,000	Shares
Wheeling Steel Corporation	Common	30,000	Shares
The Youngstown Sheet & Tube Company	Common	100,500	Shares

Certificate of Audit

The Cliffs Corporation,
Cleveland, Ohio.

We have made an examination of the accompanying balance sheet of THE CLIFFS CORPORATION as at December 31, 1938, and of the statements of profit and loss and surplus for the year ended at that date. In our opinion, based upon our examination, such balance sheet and related statements of profit and loss and surplus fairly present the position of the Corporation at the aforementioned date and the results from operations for the year ended at that date, on the basis of investments at cost except that reserves have been provided as indicated. Further, it is our opinion that the statements have been prepared in accordance with accepted principles of accounting and on a basis consistent with the preceding year.

Cleveland, Ohio
March 17, 1939

ERNST & ERNST,
Certified Public Accountants.

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ANNUAL REPORT

OF THE PRESIDENT OF

THE CLIFFS CORPORATION

CLEVELAND, OHIO

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THE CLIFFS CORPORATION

DIRECTORS

Wm. G. Mather	Steele Mitchell
E. B. Greene	Chas. S. Wachner
A. C. Brown	Thos. H. White
Cyrus S. Eaton	G. B. Young

OFFICERS

Wm. G. Mather	Chairman of the Board
E. B. Greene	President
A. C. Brown	Vice-President
S. L. Mather	Vice-President
V. P. Geffine	Vice President and Comptroller
E. H. Jaynes	Secretary
J. L. Luke	Treasurer
D. R. Forrest	Assistant Treasurer

STOCK TRANSFER AGENT
The Cleveland Trust Company
Cleveland, Ohio

REGISTRAR OF STOCK
Central National Bank of
Cleveland, Ohio

EXECUTIVE AND GENERAL OFFICES
Union Trust Building
Cleveland, Ohio

THE CLIFFS CORPORATION

Cleveland, Ohio,
March 8, 1938.

To the Stockholders of The Cliffs Corporation and
To the Holders of Voting Trust Certificates for
Stock of The Cliffs Corporation:

The balance sheet as of December 31, 1937, and statements of profit and loss and surplus accounts for the year 1937, together with certificate of audit by Messrs. Ernst and Ernst, Certified Public Accountants, are submitted herewith.

During the year the corporation received dividends on steel stocks held, amounting to $837,875.00. This compares with dividends received in 1936 of $450,000.00. In 1937, the corporation distributed dividends, payable out of earnings, of 80¢ per share, or $644,587.20.

In May, the corporation exercised rights received by it as a stockholder of Inland Steel Company to purchase 5,000 shares of common stock of that company at $90 per share. Later, 500 shares were sold at a profit. As a result the change in the corporation's portfolio during the year consisted of an increase of 4,500 shares of Inland Steel Company common stock. Bank loans made in connection with such purchase amounted at the end of the year to $340,172.70.

The indicated market value of listed securities decreased during the year $11,216,254.08.

Respectfully submitted,
EDWARD B. GREENE, *President.*

Approved by the Directors,
WM. G. MATHER, *Chairman.*

THE CLIFFS CORPORATION

Balance Sheet, December 31, 1937

ASSETS			
Cash on deposit			$ 151,938.78
Note receivable (secured by 16,449 shares of Republic Steel Corporation common stock having a quoted market price of $271,408.50 at December 31, 1937)—Note A		$ 1,100,000.00	
Less reserve provided as authorized by Directors		1,000,000.00*	100,000.00
Investments (at cost)—Notes B and C:			
The Cleveland-Cliffs Iron Company—Note D—408,296 shares (100%) common stock	$41,013,482.50		
Listed securities (quoted market prices at December 31, 1937, aggregated $14,087,755.50)	37,090,693.26	$78,104,175.76	
Less reserve provided as authorized by Directors		50,000,000.00*	28,104,175.76
Deferred tax claim			16,953.26
			$28,373,067.80
LIABILITIES, CAPITAL STOCK AND SURPLUS			
Liabilities:			
Notes payable to banks—Note C		$ 340,172.70	
Accounts payable and accrued items		16,311.62	
Provision for federal taxes on income		18,733.61	$ 375,217.93
Capital stock and surplus:			
Capital stock (without par value):			
Authorized 810,000 shares			
Outstanding 805,734 shares—Note E			
Stated capital $30.00 a share		$24,172,020.00	
Surplus:			
Capital surplus	$ 3,710,574.28		
Earned surplus (since January 1, 1937)	115,255.59	3,825,829.87	27,997,849.87
			$28,373,067.80

*These reserves, established by action of the Board of Directors on April 27, 1932, effective as of December 31, 1931, were in arbitrary amounts and were not intended to reduce the carrying value of the assets to realizable values as of any date. Such reserves have been carried since establishment without change.

Note A—In connection with action taken relative to collection of this note, the maker thereof filed an answer denying that any sum is due on said note and a cross-petition asking (1) that the petition be dismissed; (2) that the note be reformed so as to be payable only out of the proceeds of the collateral securing the same, which consists of 16,449 shares of Republic Steel Corporation common stock; and (3) that judgment be rendered in his favor against the Corporation in the sum of $1,057,264.00 (with interest), representing sums of money asserted to have been advanced by him in behalf of the Corporation; certain endorsers of said note filed an answer and cross-petition asking the same relief other than money judgment against the Corporation. The Board of Directors of the Corporation authorized counsel to prepare and file an answer on behalf of the Corporation, denying the allegations in said cross-petitions, the filing of which has been deferred pending discussions, which are still in progress, looking to a composition affecting the indebtedness represented by said note.

Note B—The following summary shows a comparison of cost and indicated market value of listed securities at the beginning and end of the year:

Cost in excess of indicated market value:	
At December 31, 1937	$23,002,937.76
At December 31, 1936	11,786,683.68
	$11,216,254.08

The "cost" values represent largely values determined at dates of acquisition of the investments in exchange for capital stock of the Corporation.

Note C—Notes payable to banks are secured by 9,500 shares of Inland Steel Company common stock carried herein at the amount of $854,054.57, and which had a market value of $660,250.00 based on quoted price at December 31, 1937.

Note D—Reference is made to annual report of The Cleveland-Cliffs Iron Company submitted under separate cover, for details regarding that Company.

Note E—Under a voting trust agreement there have been issued voting trust certificates covering 524,180 shares of the Corporation's outstanding capital stock.

THE CLIFFS CORPORATION

Profit and Loss and Surplus

Year ended December 31, 1937

Profit and Loss

Income:		
Dividends	$837,875.00	
Discount	5.80	$ 837,880.80
Expense:		
Taxes	$ 41,273.37	
Other expense	29,631.65	
Interest	3,226.68	74,131.70
Profit Before Federal Taxes on Income		$ 763,749.10
Provision for federal taxes on income:		
Normal tax	$ 8,047.91	
Surtax on undistributed profits	10,685.70	18,733.61
Profit Exclusive of Security Transactions		$ 745,015.49

Surplus Account

	Capital Surplus	Earned Surplus	Combined
Balance at January 1, 1937	$3,710,574.28	$ —o—	$3,710,574.28
Net profit for the year 1937 as shown above	—o—	745,015.49	745,015.49
Profit on security transactions	—o—	14,827.30	14,827.30
	$3,710,574.28	$759,842.79	$4,470,417.07
Less dividends paid—80¢ a share	—o—	644,587.20	644,587.20
Balance December 31, 1937	$3,710,574.28	$115,255.59	$3,825,829.87

Statement of Investments

December 31, 1937

The Cleveland-Cliffs Iron Company	Common	408,296	Shares
Inland Steel Company	Common	104,500	Shares
Republic Steel Corporation	Common	144,000	Shares
Wheeling Steel Corporation	Common	30,000	Shares
The Youngstown Sheet & Tube Company	Common	100,500	Shares

Certificate of Audit

The Cliffs Corporation,
Cleveland, Ohio.

We have made an examination of the accompanying balance sheet of THE CLIFFS CORPORATION as at December 31, 1937, and of the accompanying statements of profit and loss and surplus for the year ended at that date. In our opinion, based upon our examination, such balance sheet and related statements of profit and loss and surplus fairly present the position of the Corporation at the aforementioned date and the results from operations for the year ended at that date, on the basis of investments at cost except that reserves have been provided as indicated.

March 3, 1938

ERNST & ERNST,
Certified Public Accountants.

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ANNUAL REPORT

OF THE PRESIDENT OF

THE CLIFFS CORPORATION

FOR THE FISCAL YEAR ENDED
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THE CLIFFS CORPORATION

DIRECTORS

Wm. G. Mather	E. B. Greene
Geo. T. Bishop	S. L. Mather
W. R. Burwell	Crispin Oglebay
Cyrus S. Eaton	Thos. H. White

VOTING TRUSTEES

Wm. G. Mather — S. L. Mather

G. G. Wade

OFFICERS

Wm. G. Mather	Chairman of the Board
E. B. Greene	President
S. L. Mather	Vice-President
C. G. Heer	Treasurer
V. P. Geffine	Secretary
E. H. Jaynes	Assistant Secretary

REGISTRARS OF STOCK

Central United National Bank
Cleveland, Ohio

STOCK TRANSFER AGENT

The Cleveland Trust Company
Cleveland, Ohio

EXECUTIVE AND GENERAL OFFICES

Union Trust Building
Cleveland, Ohio

THE CLIFFS CORPORATION

Cleveland, Ohio
May 5th, 1934.

To the Stockholders of The Cliffs Corporation and
To Holders of Voting Trust Certificates of the
Cliffs Corporation:

The General Balance Sheet, and Profit and Loss Statement for the year 1933, together with Certificate of Audit by Messrs, Ernst and Ernst, Certified Public Accountants, are submitted herewith.

You will note by the certificate of Ernst and Ernst that the market value of "Other Securities Owned" has increased as compared with December 31st, 1932, by $8,500,259.37. We still feel, however, that their actual value, held for long time investment, is much more. During the past year it was considered necessary to liquidate part of our bank debt, and some securities, therefore, were sold, sufficient to reduce the principal of this debt by the end of the year to $900,000.00.

The loss from book value, exclusive of the reserve set up last year, through these security sales, amounted to $1,999,897.90, which was charged against the Profit and Loss Surplus.

For further information to our stockholders, we are setting forth in this report a list of our securities.

Respectfully submitted,

EDWARD B. GREENE,
President.

Approved by the Board of Directors:
WM. G. MATHER, Chairman.

THE CLIFFS CORPORATION

Consolidated Balance Sheet, December 31, 1933

ASSETS:			
Cash on Deposit			$ 41,410.03
Notes Receivable		$ 1,804,716.45	
Less: Reserve Provided as Authorized by Directors		$ 1,000,000.00	804,716.45
Investments (At Cost):			
The Cleveland-Cliffs Iron Company:			
408,296 Shares Common Stock	$41,013,482.50		
Other Securities Owned	37,391,281.93	78,404,764.43	
Less: Reserve Provided as Authorized by Directors		50,000,000.00	28,404,764.43
Prepaid Interest			6,666.67
			$29,257,557.58
LIABILITIES:			
Notes Payable to Banks (Collateral Loans)		900,000.00	
Accrued Interest		1,266.66	901,266.66
Accounts Payable			1,173.33
Unearned Interest			2,701.41
Nominal:			
Capital Stock (Without Par Value):			
Authorized 810,000 Shares			
Outstanding 805,734 Shares			
Stated Capital $30.00 per Share	$24,172,020.00		
Capital Surplus (Paid-In)	5,540,392.00	29,712,412.00	
Profit and Loss Deficit		1,359,995.82	28,352,416.18
			$29,257,557.58

(Note A) The following summary shows a comparison of cost and indicated market value of "other securities owned" at the beginning and end of year:

Cost in excess of indicated market value:	
At December 31, 1932	$36,412,560.72
At December 31, 1933	27,912,301.35
	$ 8,500,259.37
Less: Loss on security transactions during year	1,999,897.90
Net Increase in Indicated Market Value	$ 6,500,361.47

(Note B) Under a voting trust agreement there have been issued voting trust certificates covering 402,867 shares, or 50% of the Corporation's outstanding capital stock, representing consideration received by the old shareholders of The Cleveland-Cliffs Iron Company for the common stock of that Company now owned by this Corporation.

CERTIFICATE OF AUDIT

We have examined the general accounts of THE CLIFFS CORPORATION, CLEVELAND, and in our opinion, based upon the records examined and information obtained, the accompanying balance sheet and related summaries of income and expense and surplus, fairly present the financial position of the Corporation as of the close of business December 31, 1933 and the results from operations for the year then ended, on the basis of investments at cost except that reserves have been provided as indicated.

ERNST & ERNST
Certified Public Accountants.

March 10, 1934.

THE CLIFFS CORPORATION

Capital and Surplus Accounts, December 31, 1933

	Number of Shares	Stated Capital	Capital Surplus	Profit and Loss Surplus
BALANCE December 31, 1932	805,734	$24,172,020.00	$5,540,392.00	$ 696,363.17
Deduction:				
Loss on security transactions during 1933				1,999,897.90
Net Loss for the year 1933, exclusive of security transactions, as shown below				56,461.09
BALANCE December 31, 1933	805,734	$24,172,020.00	$5,540,392.00	1,359,995.82*

*Deficit.

Income and Expense, Year 1933

INCOME:		
Interest Accrued and Received		$34,450.52
Less: Expense:		
Interest Accrued and Paid	$72,881.64	
Taxes, Legal, and Other Expenses	18,029.97	90,911.61
Net Loss, exclusive of security transactions		56,461.09

Statement of Investments

December 31, 1933

The Cleveland-Cliffs Iron Company	Common	408,296	Shares
Inland Steel Company	Common	100,000	Shares
Republic Steel Corporation	Common	144,000.3	Shares
Wheeling Steel Corporation	Common	30,000	Shares
The Youngstown Sheet & Tube Company	Common	106,900	Shares